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RESEARCH AID

TRENDS IN CONSUMPTION
BY THE NONAGRICULTURAL SECTOR
OF THE POPULATION OF COMMUNIST CHINA
1952-57



CIA/RR RA 59-9

May 1959

CENTRAL INTELLIGENCE AGENCY
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FOREWORD

This research aid on consumption by the nonagricultural sector of the population of Communist China was undertaken with the aims of improving the reliability of over-all estimates of consumption and of revealing divergent trends in consumption between the agricultural and the nonagricultural sectors of the population. Previous attempts to estimate consumption were based on announced expenditures in the form of retail sales, on estimates of rent and consumer services, and on estimates of farm home consumption. The estimates of consumption during earlier years (1952-54) are inconsistent with data on the incomes of the two sectors of the population, the latter figures rising much less rapidly. The difference in the rates of growth displayed by these two sets of estimates is believed to be primarily the result of an underestimation of consumer expenditures on goods in the earlier years. For this reason, it is believed that estimates of nonagricultural consumption derived from data on incomes reflect more accurately the trend for the period 1952-57 than do those derived by adding together expenditures by consumers for goods and services.

The many conceptual problems as well as problems of data involved in a study of consumption and levels of living, especially in Communist China, qualify the statistical estimates to the extent that the trends shown indicate only directions and orders of magnitude. The quantitative estimates of this research aid are not sufficiently precise to state, for example, exact figures on the extent to which the rate of growth of consumption by the average nonfarmer exceeded that of the average farmer. These estimates are adequate, however, to support the general conclusions which are presented in the research aid.

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TRENDS IN CONSUMPTION BY THE NONAGRICULTURAL SECTOR
OF THE POPULATION OF COMMUNIST CHINA*
1952-57

Summary

Per capita real consumption by the nonagricultural population in Communist China was 10 to 20 percent greater in 1957 than in 1952. A substantially greater increase in per capita gross national product during the same period illustrates the government's policy of holding down increases in consumption in favor of a rapid expansion of heavy industry.

During the First Five Year Plan (1953-57), almost one-half of the increase in total consumption (in current prices) went to the nonagricultural population. On a per capita basis the nonfarmer gained faster than the farmer, increasing the already large difference between agricultural and nonagricultural levels of living. During this period, workers and staff members (who, including their dependents, represented more than one-half of the nonagricultural population in 1957)** experienced a substantial increase in their disposable incomes -- that is, incomes available for consumption or saving. On a per capita basis, worker disposable income gained slightly more rapidly than disposable income of the entire nonagricultural population.

The present level of consumption of the nonagricultural population cannot be directly compared with the level of consumption of a prewar period. Comparison of levels of consumption of Shanghai workers, however, suggests the order of magnitude of the change which took place between the two periods. Estimates of per capita physical consumption of major consumer goods by Shanghai workers indicate an increase of roughly 11 percent in 1956 above the level of 1929-30. The large increase in worker consumption which took place in 1956, however, suggests that the 1953-55 and 1929-30 levels of consumption were roughly equivalent.

I. Introduction.

Conceptual problems as well as problems of data, which are inherent in any study of consumption and levels of living, are even

* The estimates and conclusions in this research aid represent the best judgment of this Office as of 1 February 1959.

** See the first footnote, p. 4, below.

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more complicated in the case of Communist China than in Western countries. In the case of China these problems are compounded by other factors affecting the basic data -- for instance, the relatively underdeveloped system of statistical collection and reporting and the transitional nature of the economy.

Early attempts to estimate consumption in Communist China were based on announced expenditures in the form of retail sales, on estimates of rent and consumer services calculated as a percentage of retail sales to consumers, and on estimates of farm home consumption. For the earlier years (1952-54) these estimates have been found to be inconsistent with data on incomes of the population, the latter having risen much less rapidly. Consequently, this research aid on consumption by the nonagricultural population and a companion report on consumption by the agricultural population were undertaken with the aims (1) of improving the reliability of over-all consumption estimates through a more detailed study of incomes and (2) of revealing divergent trends between agricultural and nonagricultural consumption.

In addition to the difficulties inherent in every study of consumption, a study relating to Communist China has other basic limitations. These are (1) the inadequate system of statistical collection and reporting in China, especially in the early years of the Communist regime, and (2) the transitional nature of the economy. Although statistical services have been vigorously developed by the Chinese Communists, they are considerably inferior to those of Western countries. In 1952 they were much more primitive. The State Statistical Bureau, the main source of official statistics, was not established until late in 1952. Its first assignment was the organization of national surveys of gross industrial and agricultural production and of employment. Perhaps the most significant early accomplishment of the State Statistical Bureau was the population census for midyear 1953, which indicated that China had about 100 million people more than suggested by previous estimates. With central administration of statistical services beginning only in 1952, many activities (especially such dispersed activities as handicraft and carrier services) could not have been precisely counted. Such announced figures as exist on the handicraft and services sector represent rough estimates by the Chinese Communists, probably based on sample survey information.

The Chinese Communist economy is in a state of transition, and economic activity is shifting, as in all developing countries, from the home, cottage, and handicraft types of organization to the cooperative, factory, and other large-scale types. In the case of China, increasing proportions of the economic activity of the country

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have been brought under direct government control,* and such activity is shifting into forms which permit and even require accurate book-keeping and statistical reporting. In view of the many difficulties, the data of the earlier (1952-54) and of the later (1955-57) periods can be considered only roughly comparable.

The inherent weakness of the data on Communist China afflicts the estimates of consumption, whether based on expenditures of people as consumers or on disposable incomes of people as producers. Another difficulty is the impossibility of constructing a reliable consumer price index for deflating consumption in current prices to consumption in constant prices.

For these reasons the estimates of consumption trends in this research aid are intended to indicate only directions and orders of magnitude of the trends. The over-all trend, taking 1952 as the base year, is not indicated precisely. Because of improvement in the quality and availability of data, however, the trend in consumption indicated for 1955 and later is considerably more reliable.

The primary purpose of this research aid is to estimate the actual changes in consumption in Communist China, not to assess the reasons for such changes. It should be noted, however, that during the First Five Year Plan (1953-57), when the emphasis was on investment, especially in heavy industry, the expansion of consumption was considered to be of secondary importance. Increases in the level of nonagricultural consumption probably have been permitted primarily because of their beneficial effects on the program of industrialization. The economic development of China depends, in part, on increasing the productive efforts and skills of the nonagricultural population, and the Chinese Communists have indicated that they recognize the importance of material incentives as one means for bringing about expanded output. This is indicated by Hsueh Mu-ch'iao, Director of the State Statistical Bureau, who commented in the February 1958 issue of Hsueh Hsi (Study) that "we still adopt the system of remuneration according to service -- that is, remuneration computed on the basis of both the quantity and quality of service." 2/

* For a more detailed discussion of the transitional nature of economic activity in Communist China as related to light industry, see source 1/. (For serially numbered source references, see Appendix C.)

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II. Income and Consumption by the Nonagricultural Population.A. Disposable Incomes.

Direct announcements of data on the incomes of workers and staff members* (who, including their dependents, constituted more than one-half of the nonagricultural population in 1957) provide the basis for estimates of the largest single category of nonagricultural income. To this amount must be added the fringe benefit income of workers and the various types of income, both cash and imputed, earned by other members of the nonagricultural population. The sum of these income categories gives the estimates of total nonagricultural personal income presented in Table 1.** Business savings and estimated tax and nontax payments to the state are deducted to derive an estimate of disposable personal income for this period. Disposable personal income has been described by the National Income Division of the US Department of Commerce as the closest over-all statistical approximation to consumer purchasing power derived from current incomes. 3/

The substantial increase in nonagricultural population during the First Five Year Plan in Communist China accounts for part of the rise in total disposable income. Therefore, to indicate trends in the disposable income of the average nonfarmer, these data should be presented in per capita terms. Rough estimates of the nonagricultural population for 1952-57 are as follows***:

	Million Persons at Midyear					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Nonagricultural population	109	111	116	120	125	132
Of which:						
Workers and staff members (including dependents)	46.4	52.6	54.0	56.3	67.0	72.0

* The term workers and staff members refers, during the Communist period in China, to the wage-earning and salary-earning group generally called "workers and staff members, both included in and excluded from the plan." The shortened term worker(s) is also used in this research aid.

** Table 1 follows on p. 5.

*** For estimates of the nonagricultural population and of the number of workers, including dependents, see Tables 16 and 17 (pp. 34 and 35, respectively, below). For the purpose of indicating trends in per capita terms, the most significant aspect of these estimates is not the absolute number of persons but their rate of increase. The 1952-57 increase in nonagricultural population indicated by Table 16 is substantially above the increase for the entire population and below estimates of the increase for the urban population.

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Table 1

Communist China: Estimated Personal Income and Disposition of Income
of the Nonagricultural Population
1952-57

	Billion Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Personal income						
Money wages <u>a/</u>	8.50	10.70	11.37	12.19	16.08	17.86
Wages in kind <u>b/</u>	0.67	0.51	0.41	0.30	0	0
Fringe benefits <u>c/</u>	0.50	0.66	0.73	0.82	1.50	1.64
Compensation of military personnel, including supporting personnel <u>d/</u>	1.45	1.58	1.64	1.69	1.87	1.93
Labor camp imputed wages <u>e/</u>	0.24	0.33	0.21	0.17	0.17	0.09
Rental income <u>f/</u>	1.21	1.28	1.30	1.31	1.35	1.38
Income from consumer services <u>g/</u>	1.46	1.86	2.33	2.61	2.95	3.37
Nonagricultural nonstate enterprise income <u>h/</u>	6.93	8.93	8.49	7.50	6.33	6.00
Government transfer payments <u>i/</u>	0.27	0.37	0.40	0.35	0.50	0.50
Total personal income	<u>21.23</u>	<u>26.22</u>	<u>26.88</u>	<u>26.94</u>	<u>30.75</u>	<u>32.77</u>
Less: taxes and nontax payments <u>j/</u>	2.25	2.22	1.87	1.16	1.18	2.11
Business savings <u>k/</u>	0.58	1.15	0.07	-0.03	-0.12	0.51
Disposable personal income	<u>18.40</u>	<u>22.85</u>	<u>24.94</u>	<u>25.81</u>	<u>29.69</u>	<u>30.17</u>
Less: personal savings <u>l/</u>	0.24	0.32	0.87	0.68	1.15	1.04
Personal consumption	<u>18.16</u>	<u>22.53</u>	<u>24.07</u>	<u>25.13</u>	<u>28.54</u>	<u>29.13</u>

a. See Table 5, p. 20, below.

b. See Table 6, p. 21, below.

c. See Table 7, p. 22, below.

d. 4/e. 5/

f. See Table 8, p. 24, below.

g. See Table 9, p. 26, below.

h. See Table 10, p. 27, below.

i. See Table 11, p. 29, below.

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Table 1

Communist China: Estimated Personal Income and Disposition of Income
of the Nonagricultural Population
1952-57
(Continued)

j. Taxes and nontax payments to the state have been estimated as follows (billion current yuan):

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Nonstate enterprises, direct taxes <u>6/</u>	1.74	1.63	1.54	0.95	0.98	2.02
Nontax receipts from private enterprises <u>7/</u>	0.27	0.26	0.12	0.05	0.03	0.01
Miscellaneous fees paid to the state for educational, health, and cultural services <u>8/</u>	0.24	0.33	0.21	0.16	0.17	0.08
Total payments	<u>2.25</u>	<u>2.22</u>	<u>1.87</u>	<u>1.16</u>	<u>1.18</u>	<u>2.11</u>

k. See Table 12, p. 30, below.

l. See Table 13, p. 31, below.

For the entire period the significant trends indicated by the per capita estimates in Table 2* are (1) the substantial increase in disposable incomes, in current prices, of the nonagricultural (including worker) population and (2) the slightly greater gain in disposable incomes made by workers compared with all nonfarmers. From 1952 to 1955, however, worker disposable incomes lagged behind those of the average nonfarmer, making their greatest increase in 1956 as a result of the general wage reform of that year. In 1957, worker disposable income registered a further rise, while nonagricultural disposable income declined.

These conclusions, however, are subject to two qualifications. First, the data are only roughly comparable for the earlier and the later periods. In view of the greater emphasis on (and, therefore, the greater abundance of) data on the worker group, this limitation on intertemporal comparability probably applies more to estimates of disposable income of the total nonagricultural population than of the worker group alone. The second qualification concerns only worker income in 1956-57. The estimates of worker disposable income for these years have a slight upward bias because of the shift into the

* Table 2 follows on p. 7.

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Table 2

Communist China: Estimated Per Capita Disposable Income
of the Nonagricultural Population and of Workers and Staff Members
1952 and 1955-57

	<u>1952</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Nonagricultural population				
Current yuan <u>a/</u>	168.8	215.2	237.5	228.5
Index	100	127	141	135
Workers and staff members				
Current yuan <u>b/</u>	170.0	199.5	227.9	237.6
Index	100	117	134	140

a. Nonagricultural disposable income is estimated in Table 1 (p. 5, above). Estimates of the nonagricultural population are presented in Table 16 (p. 34, below).

b. Worker disposable income is estimated in Table 18 (p. 35, below). The number of workers and their dependents is estimated in Table 17 (p. 35, below).

worker group in 1956 of about 3 million persons who had previously been employed as handicraftsmen, small traders and peddlers, small proprietors, and industrial and commercial managerial personnel. 9/ These persons, although members of the nonagricultural labor force before 1956, were not in the worker group, and their incomes were not in the total wages paid to workers for the years 1952-55. The average annual money wage of these persons in 1956 was considerably above that of the worker group as a whole, being estimated to be about 725 yuan* compared with an average annual money wage of 610 yuan for all workers. Inclusion of the incomes of these persons in the worker total further limits the comparability of the periods 1952-55 and 1956-57.**

* Except where otherwise indicated, current yuan values in this research aid may be converted to US dollars at the appropriate rate of exchange for each year given. These rates of exchange, however, do not necessarily reflect the true dollar value.

** Two differing statements by the Chinese Communists regarding increases in average money wages of workers in 1956 compared with 1952 probably can be explained by the footnote continued on p. 87

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These qualifications are not sufficient to alter the conclusion that there was a sizable increase in nonagricultural disposable income during 1952-57, although when the trends in nonagricultural disposable income and worker disposable income are compared, the effect of the limiting factors is not so clear. These qualifications are to some degree mutually offsetting, however, and it is believed that, for the entire period, workers gained faster in per capita disposable income than did the total nonagricultural population.

B. Consumer Expenditures.

Consumption can be estimated from disposable incomes by deducting personal savings. Nonagricultural consumption in Communist China as estimated by this approach is presented in Table 1.* An estimate of consumption can also be derived by adding together consumer expenditures for goods and services. Table 3** presents the results of calculating nonagricultural consumption by this method.

inclusion or exclusion of these 3 million (actually, 3.05 million) persons from the 1956 data on wages and labor force. When referring to all workers, average money wages are stated to have increased 36.9 percent by 1956. ^{10/} In other statements the increase is noted to have been 33.5 percent. ^{11/} It is believed, although not explicitly stated by the Chinese, that the smaller increase in average money wages represents an exclusion of the 3 million persons who were employed, but not in the worker group, before 1956 -- that is, it is related to a group of workers which was generally comparable for the entire period. The information which follows is presented in support of this thesis. The average annual number of workers in 1956 totaled 22.3 million. ^{12/} Excluding the 3.05 million persons, the total would be 19.25 million workers in 1956. Total money wages for that year were 13.6 billion yuan for all workers ^{13/}; 12.91 billion yuan for workers included in the state plan ^{14/}; 10.7 billion yuan for workers included in the state plan (but probably excluding the 3.05 million persons) ^{15/}; and 0.69 billion yuan for workers excluded from the state plan. ^{16/} The average money wage in 1956 for workers (other than the 3.05 million) derived from these data is about 592 yuan. The average money wage of all workers in 1952 was 444 to 446 yuan. ^{17/} These data indicate an increase in average money wages from 1952 to 1956 of 33 percent.

* P. 5, above.

** Table 3 follows on p. 9.

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Comparison of the two estimates of nonagricultural consumption indicates that the estimate based on consumer expenditures (Table 3) gives a significantly higher rate of growth. It is to be expected, of course, that the two estimates will not be identical in terms of absolute amounts, but the rates of growth should be roughly comparable. This is not the case for the entire period 1952-57. The

Table 3

Communist China: Estimated Expenditures for Personal Consumption
by the Nonagricultural Population
1952-57

	Billion Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Goods <u>a/</u>						
Retail sales	11.60	15.22	17.75	19.37	22.43	23.23
Wages in kind	0.67	0.51	0.41	0.30	<u>b/</u>	<u>b/</u>
House rent <u>c/</u>	1.45	1.56	1.62	1.67	1.78	1.88
Consumer services <u>d/</u>	1.41	1.83	2.31	2.59	3.01	3.41
Total expenditures for personal consumption <u>e/</u>	<u>15.13</u>	<u>19.12</u>	<u>22.09</u>	<u>23.93</u>	<u>27.22</u>	<u>28.52</u>

a. See Tables 6, 8, and 14, pp. 21, 24, and 32, respectively, below. This figure represents nonagricultural retail sales less cost of house-repair materials and also includes estimated wages in kind, probably mostly goods, for government employees in 1952-55.

b. Payment of wages in kind was abolished as of 1 July 1955.

c. See Table 8, p. 24, below.

d. See Table 9, p. 26, below.

e. By comparison, the estimates of personal consumption by the income approach (see Table 1, p. 5, above) are as follows:

Billion Current Yuan					
<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
18.16	22.53	24.07	25.13	28.54	29.13

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difference, however, is primarily in the years 1952-54, and the increase in 1955-57 shown by both estimates indicates reasonably close comparability.*

The difference in the estimates of rates of growth for the years 1952-54 is believed to be primarily the result of an underestimation of consumer expenditures on goods, and the income approach therefore seems preferable for indicating the trend in nonagricultural consumption for these years. Limitations of the data on both incomes and consumer expenditures for these years have already been noted. In view of the diversity of the sources of income, these limitations of data may be expected to be reflected to a greater extent in the income estimates. Also, the estimates of consumption from consumer expenditures are methodologically neater. Estimates by the Chinese Communists of total consumption by persons, however, strongly suggest that consumer expenditures on goods, as estimated in Table 3, are understated for 1952. Recent articles in Chinese periodicals on national income, investment, and consumption provide the data from which the Communist estimates of nonagricultural consumption for 1952 and 1956 can be roughly derived.** Consumption, by their definition, includes the following: "food, clothing, shoes and boots, sundry goods, stationery, medical supplies, household fuels, electric power and water, and depreciation of houses." 18/ In other words, the emphasis is almost entirely on goods consumed. Although the composition of the Chinese estimates of nonagricultural consumption probably is slightly broader than the total of retail sales and wages in kind estimated in Table 3, the rate of increase, from 1952 to 1956, for the two sets of data should be roughly comparable. The estimates of consumer expenditures on goods in Table 3, however, indicate a much faster rate of growth than the Chinese Communist estimates.*** The difficulty seems to lie in an underestimation of goods consumption in 1952 and not in an overstatement of consumption in 1956. There are several reasons for concluding that estimates of retail sales to nonagricultural consumers are more valid for 1956 than for 1952. For example, the state controlled a

* The estimated rate of growth in consumption, therefore is considerably more reliable for 1955-57 than for 1952-54 or for the entire period 1952-57.

** For these estimates, see Table 19 (p. 36, below).

*** This statement is also true if the Chinese Communist estimates are compared with total consumer expenditures. The Chinese estimates are in constant prices. For this comparison of trends, the estimates of consumer expenditures in Table 3 (p. 9, above) have also been converted to constant prices, and, even when deflated by the farm procurement price index (see III, A, p. 13, below), the 1952-56 increase is substantially above the Chinese estimate.

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substantially higher proportion of total retail sales in 1956. The greater comparability of the two estimates of nonagricultural consumption for 1956 -- the estimate from disposable incomes and the estimate from consumer expenditures -- shows the improvement in the quality of the statistical data by that time and supports the above conclusion. Although there are no Chinese Communist estimates available for a similar comparison with the 1953-54 estimates of consumer expenditures on goods in Table 3, the latter estimates are probably too low.

The pattern of nonagricultural consumer expenditures probably changed from 1952 to 1957 with the growth in nonagricultural consumption. The proportion of consumer expenditures for goods was probably slightly smaller in 1957, with the share spent on foods perhaps accounting for much of this decline. House rents also constituted a lower percentage of total consumer expenditures in 1957, and consumer services comprised a higher proportion of the total.* The extent to which the shift in consumer expenditures, in current prices, reflects a meaningful shift in the pattern of nonagricultural consumption depends upon the price increase of each group. Under unique conditions the change in the consumption pattern could be accounted for by differential price increases. Although the price increases for the goods and services consumed by the nonagricultural population in Communist China undoubtedly have not been uniform, there has probably been a slight real shift in the pattern of consumption. This shift perhaps is more the result of the relatively greater availability of nonfood goods and consumer services than an expression of consumer preference. Per capita increases in food production have been relatively modest, and the consumption of major food items has been controlled to an increasing extent. By comparison, per capita production of nonfoods has increased at a relatively faster rate.** Real housing, per capita, has probably been roughly constant for the period.***

* For estimates of consumer expenditures for goods, rent, and services, see Table 3 (p. 9, above). Personal consumption expenditures of Table 1 (p. 5, above) have been compared with estimates of consumer expenditures for rent and consumer services in Table 3.

** Table 21 (p. 38, below), which gives rough estimates of per capita physical consumption of selected food and nonfood items in 1952 and 1956, suggests that the increase in nonfood consumption has been greater than the increase in food consumption.

*** For estimates of nonagricultural housing, see Table 8 (p. 24, below).

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C. Comparisons with Total Consumption and Consumption by the Agricultural Population.

Estimates of total consumption and consumption by the agricultural population, similar in concept to the estimates of nonagricultural consumption in Table 1,* can be derived from data in a recent report on the gross national product (GNP) of Communist China, as revised by this research aid. 19/ These estimates for 1952 and 1957 are as follows:

	Billion Current Yuan	
	<u>1952</u>	<u>1957</u>
Nonagricultural consumption	18.16	29.13
Agricultural consumption**	35.77	47.86
Total	<u>53.93</u>	<u>76.99</u>

These estimates indicate that almost one-half of the increase in total consumption during the period of the First Five Year Plan went to the nonagricultural population, which in 1957 comprised roughly 20 percent of the total population. Expressed in a different way, from 1952 to 1957, per capita consumption by the nonagricultural population rose somewhat more than per capita consumption by the agricultural population. The estimates of nonagricultural and agricultural consumption and population indicate the following index of per capita increases (measured in current prices):

	<u>1952</u>	<u>1957</u>
Nonagricultural consumption	100	132
Agricultural consumption	100	125

The increases indicated above are heavily influenced by the rates of growth of the nonagricultural and the agricultural population, and the comparison of increases in consumption, therefore, could be altered by inaccuracies in the estimates of expansion of population. The rates of growth in the estimates of nonagricultural and agricultural population in this research aid, however, although rough, probably err in the direction of

* P. 5, above.

** For estimates of agricultural consumption, see Table 20, p. 37, below.

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understating the increase in agricultural population. The estimates in this research aid of increases in agricultural population in 1957 above the level of 1952 are below the Chinese Communist estimates of increases in rural population. In addition, as the increases in nonagricultural and agricultural consumption are expressed in current prices, an increase in the cost of living of one group relative to the other would affect the comparison of trends in real terms. Chinese Communist estimates of increases in workers cost of living, in urban and rural retail prices, and in farm procurement prices, however, suggest that comparison of the growth in per capita consumption in constant prices would be even more unfavorable to the agricultural population.

III. Trends in Real Consumption.*

A. First Five Year Plan Period.

Trends in real consumption can be indicated by deflating consumption in current prices to consumption in constant prices through use of a cost-of-living index. From Chinese Communist data on average money wages and average real wages, a workers cost-of-living index can be derived which indicates an increase of 11.4 percent in 1957 above the level of 1952.** There have been no detailed discussions of the composition of the index, the weights for each item, or the prices used in estimating the changes in cost of living. The methodology used in the construction of the index, therefore, cannot be evaluated. In addition, this index relates to workers cost of living in the 12 largest cities of China 21/ and for this reason may only roughly approximate the trend in cost of living for the entire nonagricultural population.

Increases in state procurement prices for farm products suggest some understatement by the above index of the rise in workers cost of living. Farm procurement prices are stated to have increased as follows 22/:

<u>1952</u>	<u>1956</u>	<u>1957</u>
100	116.6	120.9***

* An implicit assumption in quantitative estimates of trends in real consumption is that quality remains constant. To the extent that quality deteriorates, the increase in real consumption will be lowered. A discussion of quality deterioration in light industry products can be found in source 20/.

** See Table 15, p. 33, below.

*** Preliminary estimate.

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During this period the state procured roughly two-thirds of all products marketed by the agricultural population and a higher proportion of such major consumer goods as grain, cotton, and oilseeds. The increases in state procurement prices, therefore, would greatly influence the price trend of the total of marketed farm products. If it is assumed that the increases in procurement prices are entirely passed on to the consumer, the workers cost-of-living index would be greatly understated. The increase could have been partially absorbed, however, by lowering processing, marketing, and transportation costs or by decreasing profit margins. Also, the price trend in rents, consumer services, and goods not requiring agricultural raw materials might have increased at a slower rate and thus have had an offsetting influence on the cost-of-living increases.

The lack of information with which to determine precisely what has happened to prices of consumer goods and services makes it impossible to test the validity of the workers cost-of-living index and its use as an indicator of cost-of-living increases for the entire nonagricultural population. The relatively faster rate of increase in state farm procurement prices, however, suggests that the trend in nonagricultural cost of living could reasonably fall within the limits of the two indexes (the workers cost-of-living index and the state farm procurement price index). Estimates of consumption in constant prices derived from these indexes, therefore, would indicate the probable range of changes in real consumption. The estimates of nonagricultural per capita consumption in constant prices are presented as follows:

	<u>1952</u>	<u>1956</u>	<u>1957</u>
Deflated by the workers cost-of-living index	100	125	119
Deflated by the state farm procurement price index	100	117	110

One check can be made which indicates that the direction and order of magnitude of these estimates are reasonable. Rough estimates of per capita worker consumption of eight commodities which comprise the bulk of goods consumption by workers can be compiled for 1952 and 1956 from several family budget studies, from data on urban physical consumption, from various data on rationing, and from estimated commodity retail sales. An increase of 18 percent in 1956 above the level of 1952 in the per capita consumption of the eight commodities is

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indicated.* This check is so rough in nature that it cannot be used to indicate a precise figure for the increase in real consumption. It does, however, provide an additional means of checking the conclusion that a 10- to 19-percent increase in per capita real consumption by the nonagricultural population during the First Five Year Plan is reasonable.

B. Comparison with the Prewar Period.

There are no estimates of prewar consumption by nonagricultural or worker families for all China with which the estimates made for the 1952-57 period can be compared. An indication of the order of magnitude of the change in the level of consumption of these families can, however, be found in data from two studies of the living standards of Shanghai workers. The prewar study made by the Shanghai municipal government surveyed the income, expenditure, and physical consumption of 305 worker families for a 1-year period from April 1929 to March 1930. The Chinese Communists similarly investigated living conditions of 534 Shanghai workers' families for 1956 and used the results for comparison with the 1929-30 data. The article presenting the findings of the 1956 survey expressed income and expenditures only in percentage terms. This article, however, listed the per capita consumption of major consumer goods in physical terms. These data, with similar data from the prewar study, are shown in Table 4.** Estimates of urban retail prices in 1956 have been used to value the physical volume data. The totals thus derived indicate an increase in per capita consumption of almost 11 percent.

The comparative levels of living of Shanghai workers in the two periods cannot be entirely demonstrated by these data. The Chinese Communists have noted one element affecting the two sets of data -- that the 1956 survey covered only industrial workers, whereas the 1929-30 study included some transport and service workers in addition. The decline in assistance from family elements in rural areas and the increase

* For estimates of per capita consumption of selected goods by workers, see Table 21 (p. 38, below). Two conditions must be met for the 1952-56 trend in consumption of the eight commodities to represent the trend in nonagricultural consumption, as follows: (1) that the trend in worker consumption of other goods and services is identical to that of the eight commodities, and (2) that the increases in nonagricultural consumption and worker consumption are equal. It is believed that these conditions are roughly true for the years 1952 and 1956. For example, the estimates in Table 2 (p. 7, below) indicate a greater increase in nonagricultural incomes than in worker disposable incomes in 1956 above the level of 1952

** Table 4 follows on p. 16.

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Table 4
China: Estimated Annual Per Capita Consumption of Goods
by Shanghai Workers' Families
1929-30 and 1956

Commodity	Unit	1929-30 a/		1956	
		Quantity	Value b/ (Yuan)	Quantity c/	Value b/ (Yuan)
Food					
Rice, polished	Kilograms	135.6	41.8	135.4	41.7
Wheat flour	Kilograms	7.6	2.9	7.8	3.0
Pork	Kilograms	5.7	7.8	8.1	11.1
Aquatic products	Kilograms	7.1	7.5	13.7	14.4
Edible vegetable oils	Kilograms	7.1	8.6	5.1	6.2
Vegetables	Kilograms	95.5	20.2	96.7	20.5
Sugar	Kilograms	1.1	1.5	2.1	2.8
Subtotal			90.3		99.7
Cotton cloth	Meters	6.3	9.1	14.0	20.3
Cigarettes	Packages	24.2	6.2	32.4	8.4
Coal	Kilograms	17.9	0.9	114.1	5.9
Firewood and grass	Kilograms	129.3	5.2	39.1	1.6
Kerosene	Kilograms	9.7	11.0	0.2	0.2
Total consumption			122.7		136.1
Index of total			100		111
Index of food			100		110

a. April 1929 to March 1930. 23/
b. Urban retail prices in 1956.

a. April 1929 to March 1930. 23/

b. Urban retail prices in 1956.

c. 24/

~~SECRET~~

in fringe benefits provided by the enterprise and the state are other factors influencing the comparison between the two periods. Even with qualifications such as these, however, the level of living of Shanghai workers in 1956 probably was higher than in 1929-30.

An interesting feature of the comparison made by the Chinese Communists is that the year 1956 was selected -- the year in which the average Chinese achieved his highest level of consumption to date. If it is assumed that the trends in consumption of the Shanghai worker and of the average Chinese worker have been roughly the same, the level of consumption of 1929-30 was not regained until the early years (1953-55) of the First Five Year Plan. It probably should be noted, however, that the average Chinese may tend to compare his present level of consumption with that of more recent years and that his consumption during the war years was probably well below the level of 1929-30.

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APPENDIX A

STATISTICAL TABLES AND METHODOLOGY

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Table 5

Communist China: Estimated Total Money Wages
of the Nonagricultural Population
1952-57

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Workers and staff members <u>a/</u>						
Socialized	4,700	6,500	7,400	8,300	12,910	15,250
Private	2,000	2,200	1,900	1,700	690	<u>b/</u>
Employees of individual handicraft and carrier services <u>c/</u>	1,600	1,750	1,800	1,900	2,100	2,200
Employees of miscellaneous personal services <u>c/</u>	200	250	270	290	380	410
Total money wages	<u>8,500</u>	<u>10,700</u>	<u>11,370</u>	<u>12,190</u>	<u>16,080</u>	<u>17,860</u>

a. Total money wages for all workers and staff members in Communist China have been given for 1952 and for 1955-57. 25/ Total money wages for workers and staff members of the socialized sector have been given for 1953-56. 26/ Average money wages have been stated for all workers and staff members for the entire period 1952-57. 27/ From these data and from rough estimates of the total number of workers and staff members in 1953-54, estimates of total money wages in the socialized and private sectors can be made for 1952-54.

A report on workers' living conditions stated that total wages of socialized workers and staff members increased 76 percent from 1952 to 1955. 28/ This increase when applied to the total wages of 8.3 billion yuan for socialized workers and staff members in 1955 yields the figure of 4.7 billion yuan for 1952. On the basis of data presented in the communiqués on the results of the execution of the 1953, 1954, and 1955 national economic plans, 29/ the average annual number of all workers and staff members is estimated roughly to have been 17.5 million in 1953 and 18.0 million in 1954. These data, with the average money wages for all workers and staff members -- that is, 495.8 yuan in 1953 and 518.6 yuan in

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Table 5

Communist China: Estimated Total Money Wages
of the Nonagricultural Population
1952-57
(Continued)

1954 30/ -- provide estimates of total money wages of 8.7 billion yuan in 1953 and 9.3 billion yuan in 1954. Money wages to workers and staff members of the private sector in 1953 and 1954 can then be derived by subtraction.

b. Workers and staff members are assumed to have been entirely socialized by 1957.

c. 31/

Table 6

Communist China: Estimated Wages in Kind of Government Employees a/
1952-57

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Wages in kind	670	510	410	300	0	0

a. In August 1955 the State Council issued an order on the change-over from the supply system to the money wage system for government employees. Under this order, those government employees who had been receiving part of their wages in kind would receive only money wages, beginning in July 1955. 32/ It was also mentioned that in 1955 about one-third of the government employees were still under the supply system. 33/ For the purposes of this estimate, it is assumed that all government employees were under the supply system in 1952 but only one-third in 1955. It is also assumed that roughly one-half of total wages for those under the supply system were wages in kind. The supply system was in existence at the time the Communists took over in 1949, and possibly the benefits were expanded in 1952. The number of government employees paid under the money wage system probably has been increasing gradually with the increase in new employees and the increasing emphasis upon payment in money wages. Total wages of government employees, in million current yuan, have been estimated as follows: 1952, 1,340; 1953, 1,520; 1954, 1,630; and 1955, 1,890. 34/

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Table 7

Communist China: Estimated Fringe Benefits
of Workers and Staff Members a/
1952-57

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Total fringe benefits <u>b/</u> (socialized sector)	660	925	1,050	1,180	2,250	2,490
Less <u>c/</u> :						
Scholarships for workers' and staff members' families	85	135	140	135	195	205
Wages of the following personnel, who are paid by wage supplementary expenditures which are included in total wages:						
Medical and health	70	99	112	126	241	266
Welfare	63	88	99	111	213	235
Union and labor insurance	39	54	62	69	132	147
Net fringe benefits of workers and staff members <u>d/</u> :						
Of the socialized sector	403	549	637	739	1,469	1,637
Of the private sector	100	110	95	85	35	<u>e/</u>
Net fringe benefits of all workers and staff members	<u>503</u>	<u>659</u>	<u>732</u>	<u>824</u>	<u>1,504</u>	<u>1,637</u>

a. Fringe benefits for the remainder of the nonagricultural population are insignificant.

b. Total fringe benefits for workers and staff members of the socialized sector are stated to be 660 million yuan for 1952, 35/ about 3.2 billion yuan for the 3 years 1953-55, 36/ and 5,405 million yuan for the years 1953-56. 37/ The total of wage supplementary expenditures, the largest category in total fringe benefits, has been estimated to be more than 6.5 billion yuan for the period of the First Five Year Plan (1953-57). 38/ Estimating the other fringe benefits in 1957 at the same proportion to total wages as in 1953-56

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Table 7

Communist China: Estimated Fringe Benefits
of Workers and Staff Members
1952-57
(Continued)

gives a total for fringe benefits in 1957 of 2.49 billion yuan. The total for fringe benefits in 1956 has been given as 2.25 billion yuan. 39/ Total fringe benefits for 1953-55 are allocated annually at the same proportion to total wages as the 1953-55 aggregates.

c. Total fringe benefits include two items which must be subtracted -- scholarships for children of workers and staff members 40/ and the wages of personnel of union, labor insurance, welfare, and health organs paid by the wage supplementary expenditures (wages which are included in the total wage data). 41/ The total amount for scholarships in 1953-56 has been stated to be 605 million yuan. 42/ These data have been allocated annually in the same proportion to total scholarships (see Table 11, p. 29, below) as the 1953-56 aggregates. The 1957 estimate was made in the same manner. A study of welfare expenditures on workers and staff members of the Shih-ching Shan Metallurgical Plant indicated that 31.8 percent of the medical-health fund and 58.1 percent of the welfare fund were used to pay wages. 43/ These percentages have been applied to estimates of expenditures for medical and health and welfare 44/ to derive the wage estimates listed in the table. A rough estimate of 30 percent 45/ of the estimated amount for labor insurance funds was used to represent wages in that area.

d. Fringe benefits for workers and staff members of the private sector were probably considerably below those of the socialized sector. A rough estimate of their magnitude has been made on the basis of 5 percent of total wages to this group (see Table 5, p. 20, above) -- that is, approximately one-half of the average annual rate for workers and staff members of the socialized sector for the years 1953-57.

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Table 8

Communist China: Estimated Rental Income
of the Nonagricultural Population a/
1952-57

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Total rent in 1957 prices	1,615	1,640	1,685	1,735	1,810	1,885
Total rent in current prices	1,450	1,555	1,620	1,670	1,780	1,885
Less: cost of house repair materials	220	235	245	250	265	285
Rental income	1,230	1,320	1,375	1,420	1,515	1,600
Less: state rental income	20	40	70	110	165	225
Personal rental income (nonstate rental income, including all imputed rental income)	<u>1,210</u>	<u>1,280</u>	<u>1,305</u>	<u>1,310</u>	<u>1,350</u>	<u>1,375</u>

a. Figures are rounded to the nearest 5 million yuan.

The total housing area in 1950 of 166 municipalities in Communist China has been estimated by the Chinese to cover approximately 220 million square meters (sq m). Other data, which refer to total state housing construction, are as follows:

<u>Year</u>	<u>Million Square Meters</u>
1950-57	More than 90 <u>46/</u>
1953-57	80 <u>47/</u>
1953-54	25 <u>48/</u>
1954	13 <u>49/</u>
1955	14 <u>50/</u>
1956	27 <u>51/</u>

The population of the 166 cities in 1956 was stated to be more than 60 million. 52/ It is assumed that the housing area of these cities in 1950 (220 million sq m) represents roughly one-half of total non-agricultural housing in 1950. Additions to this stock of housing are estimated as follows:

(1) State housing construction.

	Million Square Meters				
<u>1950-52</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
10	12	13	14	27	14

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Table 8

Communist China: Estimated Rental Income
of the Nonagricultural Population
1952-57
(Continued)

(2) Housing for 100,000 workers' families. This housing is stated to have been built with the aid of loans from the state. ^{53/} These houses are estimated to total more than 2 million sq m in area and to have been built mainly in 1956-57, averaging about 1 million sq m annually for the 2 years.

(3) Other private construction. It is assumed that this category of housing balances out only as replacements.

Adding one-half of each year's state housing construction to the housing stock at the beginning of that year to represent the average housing available for the year, nonagricultural housing is estimated as follows:

Million Square Meters						
<u>1950</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
442	448	456	468	482	504	524

Total rent is estimated on the basis of the average amount of housing available and an estimate of the average rent per square meter of private housing. Treated in this manner, total rent includes money rent, imputed rent for self-owned housing, and rental subsidies of all kinds. The information on rents of private housing is extremely limited, but two recent reports indicate that average monthly rent per square meter for private housing was about 0.30 yuan in 1957. ^{54/} This average rental probably is related to wage earner housing in urban centers, but it is assumed in this report to represent the average rent per square meter for nonagricultural private housing. Total rent, in million 1957 yuan, is estimated as follows: 1952, 1,615; 1953, 1,640; 1954, 1,685; 1955, 1,735; 1956, 1,810; and 1957, 1,885. These data are converted into current prices on the basis of the cost-of-living index for workers and staff members (see Table 15, p. 33, below).

Nonagricultural personal rental income is estimated by subtracting from total nonagricultural rent the cost of house repair materials and rental income to the state. House repair materials are estimated roughly to be 15 percent of total rent. State rental income is estimated as follows: Net rent per square meter -- that is, rent per square meter less cost of repair materials, is estimated to have been 2.66 yuan in 1957. State housing available is assumed to be represented by the amount of state-constructed housing, which is estimated as follows:

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Table 8

Communist China: Estimated Rental Income
of the Nonagricultural Population
1952-57
(Continued)

Million Square Meters					
<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
8	16	28	42	63	84

Using the 2.66 yuan mentioned above as the net rental per square meter for state housing, and converting the data into current prices on the basis of the workers' cost-of-living index, the estimate of state rental income is derived. Nonagricultural personal rental income is derived as a residual.

Table 9

Communist China: Estimated Income
of the Nonagricultural Population from Consumer Services
1952-57

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Purchases of consumer services by the nonagricultural population a/	1,650	2,160	2,520	2,750	3,180	3,490
Less: educational and medical fees b/	240	330	210	160	170	80
Plus: purchases of consumer services by the agricultural population from the nonagricultural population c/	250	280	290	310	320	370
Total sales of consumer services by the nonagricultural population	1,660	2,110	2,600	2,900	3,330	3,780
Less: money wages of miscellaneous personal service employees d/	200	250	270	290	380	410
Income from consumer services	<u>1,460</u>	<u>1,860</u>	<u>2,330</u>	<u>2,610</u>	<u>2,950</u>	<u>3,370</u>

a. Purchases of consumer services by the nonagricultural population are estimated as a proportion of total purchases of goods. Several

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Table 9

Communist China: Estimated Income
of the Nonagricultural Population from Consumer Services
1952-57
(Continued)

reports of household budget studies 55/ indicate the proportion of total expenditures for commodities and for rent and utilities and other noncommodity items. From these studies, an estimate of expenditures on noncommodity items (funds which would largely end up as consumer service receipts) has been made. It is estimated that these nonagricultural purchases of consumer services are roughly equivalent to 14 percent of total retail sales to the nonagricultural population (see Table 14, p. 32, below).

b. Educational and medical fees paid to the government are deducted from the total in order to secure the estimated value of purchases from nonagricultural occupations. 56/

c. 57/

d. 58/

Table 10

Communist China: Estimated Income of the Nonagricultural Population
from Nonagricultural Nonstate Enterprises a/*
1952-57

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Income other than wages of:						
Individual handicrafts-						
men, carrier service						
workers, and peddlers <u>b/</u>	3,320	4,455	5,145	4,940	5,820	5,315
Nonstate enterprises <u>c/</u>	6,260	7,895	6,960	5,880	4,400	4,645
Less:						
Indirect taxes						
Individual handicraft						
services <u>d/</u>	600	760	860	800	930	1,020
Nonstate enterprises <u>e/</u>	1,490	1,830	1,820	1,600	1,845	1,860

* Footnotes for Table 10 follow on p. 28.

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Table 10

Communist China: Estimated Income of the Nonagricultural Population
from Nonagricultural Nonstate Enterprises a/
1952-57
(Continued)

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Income other than wages from carrier services earned by the agricul- tural population <u>f/</u>	560	822	935	915	1,115	1,078
Income of the nonagricul- tural population	<u>6,930</u>	<u>8,932</u>	<u>8,490</u>	<u>7,505</u>	<u>6,330</u>	<u>5,998</u>

a. Including income other than wages of individual handicraftsmen,
carrier service workers, and peddlers.

b. 59/

c. 60/

d. 61/

e. 62/

f. It is estimated roughly that one-half of the income other than
wages of carrier service workers was earned by the agricultural popu-
lation. The 1952-57 estimates were made as follows:

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Income originating in carrier services <u>63/</u>	1,730	2,355	2,575	2,600	3,095	3,125
Less:						
Compensation of em- ployees	610	710	705	770	865	970
Income other than wages from carrier services	1,120	1,645	1,870	1,830	2,230	2,155
Income from carrier ser- vices earned by the agri- cultural population	<u>560</u>	<u>822</u>	<u>935</u>	<u>915</u>	<u>1,115</u>	<u>1,078</u>

Compensation of individual handicraftsmen and carrier service workers
has been estimated. Compensation of carrier service workers was

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Table 10

Communist China: Estimated Income of the Nonagricultural Population
from Nonagricultural Nonstate Enterprises
(Continued)

estimated in the same proportion to total compensation as the proportion of income originating in carrier services was to total income originating in individual handicrafts and carrier services. 64/

Table 11

Communist China: Estimated Government Transfer Payments
to the Nonagricultural Population
1952-57

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Social relief and special benefits <u>a/</u>	100	107	136	102	127	118
Student scholarships <u>b/</u>	170	267	264	249	374	386
Total payments	<u>270</u>	<u>374</u>	<u>400</u>	<u>351</u>	<u>501</u>	<u>504</u>

a. Total social relief and special benefits have been given in the budget data for 1952-57. 65/ A fairly detailed breakdown of the total disbursements in this category has been given. 66/ From these data it is estimated that 22 percent of the total went to the nonagricultural population. This proportion is approximately the same as the population breakdown.

b. The estimate for student scholarships was made as follows: It has been stated that, during the period of the First Five Year Plan, funds appropriated by the state for peoples scholarships constituted 9.3 percent of the total working expenditures of the organizations under the Ministry of Education. 67/ A recent article stated that the 1953-57 total for peoples scholarships was 1,568 million yuan, or 9.3 percent of the total expenditures for culture, education, and health. 68/ The 1957 data in this article, however, were based on the planned budget. Taking into consideration the preliminary final budget data reported by Li Hsien-nien in February 1958, 69/ the total expenditures for scholarships in 1953-57 would be 1,540 million yuan. This total is allocated for each year by taking 9.3 percent of the annual expenditure for culture, education, and health. 70/

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Table 12

Communist China: Estimated Savings
of Nonagricultural Nonstate Business Enterprises
1952-57

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Investment <u>a/</u>	600	700	700	700	500	500
Changes in inventories:						
Private trade <u>b/</u>	-160	290	-540	-640	-720	-180
Nonstate industry <u>c/</u>	135	160	-90	-90	100	190
Total savings	<u>575</u>	<u>1,150</u>	<u>70</u>	<u>-30</u>	<u>-120</u>	<u>510</u>

a. 71/b. 72/

c. Estimated to be one-half of the increase in inventories of joint state-private, cooperative, and private industrial enterprises, as follows:

	Million Current Yuan						
	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Total inventories of all industry <u>73/</u>	2,590	3,340	4,420	4,560	4,580	5,380	6,880
Less: inventories of state industry <u>74/</u>	1,660*	2,140	2,900	3,220	3,420	4,020	5,139**
Inventories of non- state industry	930	1,200	1,520	1,340	1,160	1,360	1,741
Changes in inventories of nonstate industry		270	320	-180	-180	200	381

* Estimated to be in the same proportion to total inventories as in 1952.

** Estimated to be in the same proportion to total inventories as in 1956.

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Table 13

Communist China: Estimated Personal Savings
of the Nonagricultural Population
1952-57

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Increases in personal bank deposits:						
Urban <u>a/</u>	270	350	200	280	660	560
Rural nonagricultural <u>b/</u>	5	13	23	33	57	100
Bond purchases less re-payments <u>c/</u>	-30	-40	646	370	437	379
Total savings	<u>245</u>	<u>323</u>	<u>869</u>	<u>683</u>	<u>1,154</u>	<u>1,039</u>

a. Figures for 1952-56 are from source 75/; for 1957, from source 76/.

b. Increases in rural personal bank deposits, including credit co-operative funds, have been estimated as follows, in million yuan: 1952, 45; 1953, 129; 1954, 228; 1955, 333; 1956, 567; and 1957, 1,000. The estimates in this table are made on the assumption that roughly 10 percent of the annual increases are made by the rural nonagricultural population.

c. Total bond purchases, bond purchases by the agricultural and the nonagricultural population, and total bond repayments are estimated as follows:

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Total bond purchases <u>78/</u>	0	0	836	619	607	650
Bond purchases by:						
Agricultural population	0	0	140	135	138	217
Nonagricultural population	0	0	696	484	469	433
Total bond repayments <u>79/</u>	39	52	65	148	42	70

Average bond purchases by the nonagricultural population in 1954-57 were about 77 percent of the total for Communist China. This percentage is applied to total bond repayments to derive an estimate of total bond repayments to the nonagricultural population, as follows, in million yuan: 1952, 30; 1953, 40; 1954, 50; 1955, 114; 1956, 32; and 1957, 54. The estimates in the table were derived by subtracting the bond repayments from the bond purchases of the nonagricultural population.

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Table 14

Communist China: Estimated Total Retail Sales a/
1952-57

	Billion Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Sales to:						
Government and business	2.40	4.60	4.80	3.60	3.70	4.10
Agricultural population	13.45	14.98	16.17	16.78	20.10	19.39
Nonagricultural population	11.82	15.46	17.99	19.62	22.70	23.51
Total retail sales	<u>27.67</u>	<u>35.04</u>	<u>38.96</u>	<u>40.00</u>	<u>46.50</u>	<u>47.00</u>

a. Total retail sales for 1952-57 have been given. 80/ From these total figures, estimates of retail sales to government and business and to the agricultural population are subtracted to derive an estimate of retail sales to the nonagricultural population for 1952-57. Retail sales to government and business for 1952-56 have been estimated as follows:

	Billion Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	
Purchases by social organs <u>81/</u>	3.6	6.0	6.1	4.9	5.1	
Less: purchases by individuals of the armed forces and the like <u>82/</u>	1.2	1.4	1.3	1.3	1.4	
Purchases by government and business	<u>2.4</u>	<u>4.6</u>	<u>4.8</u>	<u>3.6</u>	<u>3.7</u>	

The purchases-by-individuals portion of purchases by social organs in 1957 was shifted into the category entitled purchases by inhabitants. 83/ Therefore the estimate of purchases by social organs in 1957 represents entirely purchases by government and business, each for its own use. It was planned that purchases by social organs would decline by 0.98 billion yuan in 1957, 84/ so the estimate of government and business purchases in 1957 has been made at 4.1 billion yuan.

Retail sales to the agricultural population are estimated as follows:

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Table 14

Communist China: Estimated Total Retail Sales
1952-57
(Continued)

	Million Current Yuan					
	1952	1953	1954	1955	1956	1957
Expenditures from:						
Net cash income from farm sales, plus loans ^{85/}	12,270	13,433	14,172	14,888	17,725	17,096
Income from economic construction expendi- tures on agriculture, forestry, and water conservancy	477	595	688	749	1,142	1,044
Income from native transportation	560	823	935	915	1,115	1,078
Rural relief	144	128	374	227	115	175
Total retail sales	<u>13,451</u>	<u>14,979</u>	<u>16,169</u>	<u>16,779</u>	<u>20,097</u>	<u>19,393</u>

Income from economic construction is estimated to be one-half of total economic construction expenditures on agriculture, forestry, and water conservancy. ^{86/} One-half of the estimated income from native transport is estimated to have gone to the agricultural population (see Table 10, p. 27, above). All rural relief ^{87/} is assumed to have been distributed to the agricultural population.

Table 15

Communist China: Estimated Cost-of-Living Index
of Workers and Staff Members ^{a/}
1952-57

	1952 = 100					
	1952	1953	1954	1955	1956	1957
Average money wages	100	110.1	114.9	119.4	133.5	N.A.
Average real wages	100	104.3	107.5	111.3	122.0	N.A.
Cost-of-living index (derived)	100	105.6	106.9	107.3	109.4	111.4

a. The data on average money and real wages for 1952-56 are given in two articles from Chinese Communist periodicals. ^{88/} The cost-of-living index for the years 1952-56 is derived directly from these two

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Table 15

Communist China: Estimated Cost-of-Living Index
of Workers and Staff Members
1952-57
(Continued)

sets of data. The 1957 figure is calculated from the statement that the 1957 price increases of important consumer goods would raise the expenditures of the urban population by more than 300 million yuan, or about 1.8 percent of their purchasing power. 89/

Table 16

Communist China:
Estimated Agricultural and Nonagricultural Population a/
1952-57

	Million Persons at Midyear					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Agricultural	467	472	476	483	491	500
Nonagricultural	109	111	116	120	125	132
Total	<u>576</u>	<u>583</u>	<u>592</u>	<u>603</u>	<u>616</u>	<u>632</u>

a. Total population at midyear has been previously estimated. 90/ The 1953 Peoples Handbook states that in 1950 agricultural population was 81 percent of total population. 91/ Other sources have given agricultural population as roughly 80 percent of total population. 92/ For the purposes of this estimate, it is assumed that agricultural population in 1952 was 81 percent of total population. Agricultural population for 1953-57 is estimated on the basis of estimated increases in total agricultural households. Total agricultural households for 1952-55 have been given in statistical tables on the national economy of Communist China for 1955. 93/ The 1952-53 increase in total agricultural households, as stated, works out to 2.3 percent. As the total population increase for this period is estimated to be about 1.1 percent, it is believed that the 1952 data on total agricultural households are underestimated. Therefore the 1952-53 increase in agricultural population is estimated to be the same as that in total population. Agricultural population is estimated to have increased in 1956 and 1957 at the same rate as the increase of agricultural households for 1954 to 1955. The derived index of increase in agricultural population is as follows: 1952, 100; 1953, 101.1; 1954, 102.0; 1955, 103.6; 1956, 105.3; and 1957, 107.0.

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Table 17

Communist China: Estimated Number of Workers and Staff Members,
Including Families a/
1952-57

	Million Persons					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Annual average	46.4	52.6	54.0	56.3	67.0	72.0

a. The average size of a family in the worker and staff member category in Communist China in 1956-57 was stated to be 4 persons, with 1.33 employed. 94/ The average annual number of workers and staff members has been given for the years 1952 and 1955-57. 95/ Estimates for 1953-54 have been made in the methodological discussion relating to Table 5 (p. 20, above). The average number of persons and the average number employed per family in 1953-55 are assumed to have been the same as in 1956-57. The 1952 estimate is derived from Chinese Communist data on the 1952-56 increase in total and per capita consumption of Chinese workers, including dependents. 96/

Table 18

Communist China: Estimated Disposable Income
of Workers' and Staff Members' Families a/
1952-57

	Billion Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
Money wages	6.70	8.70	9.30	10.00	13.60	15.25
Wages in kind of government employees	0.67	0.51	0.41	0.30	0	0
Fringe benefits	0.50	0.66	0.73	0.82	1.50	1.64
Government transfer payments	0.14	0.19	0.21	0.19	0.26	0.26
Personal income	8.01	10.06	10.65	11.31	15.36	17.15
Less: miscellaneous fees paid to the state	0.12	0.17	0.11	0.08	0.09	0.04
Disposable income	<u>7.89</u>	<u>9.89</u>	<u>10.54</u>	<u>11.23</u>	<u>15.27</u>	<u>17.11</u>

a. Money wages paid to workers have been estimated in Table 5 (p. 20, above), and wages in kind in Table 6 (p. 21, above). Fringe benefits

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Table 18

Communist China: Estimated Disposable Income
of Workers' and Staff Members' Families
1952-57
(Continued)

of workers are presented in Table 7 (p. 22, above). Government transfer payments to workers' and staff members' families are estimated as follows:

	Million Current Yuan					
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
One-half of total social relief and special benefits to the non-agricultural population (see Table 11, p. 29, above)	50	53.5	68	51	63.5	59
Student scholarships (see Table 7, p. 22, above)	85	135	140	135	195	205
Total payments	<u>135</u>	<u>188.5</u>	<u>208</u>	<u>186</u>	<u>258.5</u>	<u>264</u>

Miscellaneous fees paid to the state (see Table 1, p. 5, above) are distributed on the basis of roughly one-half from the worker families and one-half from the other nonagricultural families.

Table 19

Communist China: Nonagricultural Personal Consumption
(as Estimated by the Chinese Communists)
1952 and 1956

	Billion Yuan in Constant Prices	
	<u>1952</u>	<u>1956</u>
Total consumption	51.29 <u>a/</u>	64.99 <u>b/</u>
Less: government consumption <u>c/</u>	3.54	3.12
Personal consumption	47.75	61.87
Less: agricultural personal consumption	33.07 <u>d/</u>	41.34 <u>e/</u>
Nonagricultural personal consumption	<u>14.68</u>	<u>20.53</u>

a. 97/
b. 98/

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Table 19

Communist China: Nonagricultural Personal Consumption
 (as Estimated by the Chinese Communists)
 1952 and 1956
 (Continued)

- c. 99/
 d. Derived from the 1956 estimate based on a statement that total peasant consumption had increased 25 percent in 1956 above the level of 1952. 100/
 e. Peasant consumption per capita, in constant prices, was stated to be 84.2 yuan in 1956. Peasant population was stated to be more than 80 percent of total population, no year specified. 101/ The agricultural population used for this aggregate is the estimate of Table 16 (p. 34, above) -- 491 million persons, or 80 percent of total population in 1956.

Table 20

Communist China: Estimated Personal Consumption
 of the Agricultural Population
 1952 and 1957

	Billion Current Yuan	
	<u>1952</u>	<u>1957</u>
Income from:		
Agriculture <u>a/</u>	39.00	53.20
Economic construction <u>b/</u>	0.48	1.04
Native transportation <u>b/</u>	0.56	1.08
Government transfer payments <u>c/</u>	0.30	0.35
Loans <u>d/</u>	0.23	-0.02
Total income	<u>40.57</u>	<u>55.65</u>
Less:		
Capital goods purchases <u>e/</u>	1.50	2.90
Agricultural taxes and nontax payments <u>f/</u>	3.27	3.79
Personal savings <u>g/</u>	0.03	1.10
Personal consumption	<u>35.77</u>	<u>47.86</u>

- a. 102/
 b. See the methodology to Table 14 (p. 32, above).
 c. Total government transfer payments 103/ less government transfer

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Table 20

Communist China: Estimated Personal Consumption
of the Agricultural Population
1952 and 1957
(Continued)

payments to the nonagricultural population (see Table 1, p. 5, above).

d. 104/

e. 105/

f. 106/

g. See Table 13, p. 31, above.

Table 21

Communist China: Estimated Per Capita Consumption
of Selected Goods by Workers' Families a/
1952 and 1956

Selected Goods	Unit	1952		1956	
		Quantity	Value b/ (Yuan)	Quantity	Value b/ (Yuan)
Food grains	Kilograms	172.0	48.5	165.6	46.7
Pork	Kilograms	5.4	7.4	5.8	8.0
Edible vegetable oils	Kilograms	4.0	4.9	4.3	5.2
Aquatic products	Kilograms	7.4	7.8	10.7	11.3
Vegetables	Kilograms	81.3	17.2	109.2	23.2
Subtotal			<u>85.8</u>		<u>94.4</u>
Cotton cloth	Meters	8.9	12.9	12.2	17.7
Cigarettes	Packages	18.0	4.6	25.0	6.5
Coal	Kilograms	166.0	8.6	270.0	14.0
Total			<u>111.9</u>		<u>132.6</u>
Index			100		118

a. Estimated on the basis of several sample studies of per capita consumption by workers' families, total and per capita urban consumption data, various data on rationing, and estimated commodity retail sales. The physical quantity estimates have been valued at estimated urban retail prices in 1956.

b. Urban retail prices in 1956.

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APPENDIX B

GAPS IN INTELLIGENCE

A considerable number of articles have appeared recently in Chinese Communist magazines and newspapers relating to the level of living of workers and their families. In most cases the discussion has been focused on an explanation for the relatively higher per capita income and consumption of workers compared with farmers. The data from these articles, combined with other data relating to worker income and consumption, provide reasonably precise estimates which indicate the trend of worker consumption during the First Five Year Plan.

Data on income and consumption by other nonagricultural families, however, are relatively scarce. For this reason, estimates of income received by these occupation groups have been made by more indirect methods. Information on the distribution of the population and labor force, by income groups, would greatly assist in improving the estimates of income and consumption expenditures of the total nonagricultural population. For instance, the estimates in this research aid of income from consumer services and expenditures on consumer services were derived as a proportion of retail sales to the nonagricultural population. These estimates could be made more firm with detailed data on the size of the population and labor force, supported by consumer service occupations.

The information available on urban housing has increased recently, but the estimates of this research aid could be improved with further data on nonstate housing construction in urban areas and housing in rural areas, more specific information on the general trend in private rents, and data on the cost of repair materials for houses. There have been many reports on rents and housing for individual families, some from non-Communist sources, but these reports have been generally deficient either in representing subsidized rent of some form or in being from families which could not be considered representative of the average Chinese nonfarmer.

In addition, it is impossible to construct a consumer price index which can be considered sufficiently reliable for deflating consumption in current prices to consumption in constant prices. Because of this deficiency, it has been necessary in this research aid to express consumption in constant prices as a range. The worker cost-of-living index, the validity of which cannot be checked, applies to the 12 largest cities of Communist China. The increases in state procurement prices for farm products, however, suggest that the cost of living of the total nonagricultural population, and perhaps even the workers, rose faster than the worker cost-of-living index indicates. Data from non-Communist sources have been insufficient for the purpose of indicating the trend in prices and cost of living.

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APPENDIX C

SOURCE REFERENCES

Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which may carry the field evaluation "Documentary."

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this research aid. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

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